

The top of the slide features three horizontal panels. The left and right panels show a landscape with green hills, brown earth, and a blue sky. The central panel is larger and features a white globe with blue oceans, positioned over the same landscape background.

CDIAC: AB 943 Overview and Educational Services Available to Local Governments

***California Municipal Treasurers Association
Annual Conference***

Lake Tahoe

April 21, 2004

**Linda Louie, Manager, Continuing Education/Outreach
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CDIAC's Mission

To improve the practice of public finance in California by providing responsive and reliable information, education and advice.



CDIAC Programs

- ❖ Data Collection
- ❖ Educational Programs
- ❖ Policy Research
- ❖ Technical Assistance



CDIAC Data and Information

- ❖ Debt Issuance Database
 - Report of Proposed Debt Issuance and Final Sale
- ❖ DEBT LINE
 - Calendar of Issues
 - Monthly Report on Debt Issuance
 - State Legislation Update
- ❖ Mello-Roos CFD and Marks-Roos Bond Pooling Draw on Reserves/Default Reports
- ❖ Data on Disk – Yearly and Monthly Debt Statistics
- ❖ Yearly Report on Debt Issuance Volume



Current CDIAC Research Areas

- ❖ Federal Securities Disclosure Law
- ❖ Financing Innovations
- ❖ State and Municipal Financing Legislation
- ❖ Land Based Financing
- ❖ Derivative Products



CDIAC Provides Guidelines and Policy Papers

- ❖ Debt Issuance Primer
- ❖ Disclosure for Land Based Financings
- ❖ Local Agency Investment Guidelines (2003 Update)
- ❖ Understanding Public Investment Reporting: A Handbook for Local Elected Officials
- ❖ Electronic Disclosure Issue Brief
- ❖ Investing in Callable Securities Issue Brief
- ❖ Reimbursements and Bond Proceeds
- ❖ Tools to Revitalize California Communities



CDIAC Offers Technical Assistance

- ❖ Provides assistance on debt and investment questions
- ❖ Responds to media requests for data
- ❖ Produces selected statistical information
- ❖ Routes inquiries to other state agencies



Ten Top Reasons for Coming To CDIAC Seminars

10. Take as a refresher course
9. Interested in the speakers
8. Need Continuing Education Units
7. New to the Field
6. Gain Cutting Edge Information
5. Like Small Group Discussions
4. TOPIC, TOPIC, TOPIC
3. Learn with my peers
2. Apply Information to my job
1. To gain more hands on experience



CDIAC Presents Seminars

- ❖ Fundamentals of Debt Financing
- ❖ Mechanics of a Bond Sale
- ❖ Understanding Municipal Securities Regulations
- ❖ Investing Public Funds: Fundamentals of Managing Your Portfolio
- ❖ Investing Public Funds: Understanding and Evaluating Your Investment Alternatives
- ❖ Tools for Revitalizing Your Community



Future Outlook—Education

- ❖ Update seminars
- ❖ Serve as resource for local government information
- ❖ Develop resource guides - elected officials, and portfolio & policy overview



CDIAC Workshops/Seminars

CDIAC workshops and seminars on public debt and investments are geared toward state and local public officials and their staff.

| Workshop and Seminar Schedule | Location | Date |
|--|----------------|----------------|
| Fundamentals of Debt Financing | Pasadena | May 6-7th |
| Strategies for Public Investment During Difficult Times | Sacramento | June 23rd |
| THE BOND BUYER Pre-Conference | San Francisco | September 12th |
| ABC's of School Financing | Sacto/Anaheim | September |
| Land Secured Financing Workshop | Central Valley | October 1st |
| CDIAC/CMTA Joint Workshop on Investments (Advanced) | San Francisco | November 5th |
| CA School Board Association | San Francisco | December |



CDIAC Community Tools Seminars

- ❖ Natural adjunct to monitoring the fiscal strength of California communities
- ❖ Focusing on the state's infrastructure needs over the next 20 years:
 - 5 million new jobs
 - 12 million new residents
 - 4 million new households
 - 2 million new schoolchildren



CDIAC Community Tools Seminars

- ❖ Communities must begin to prepare for a projected surge in jobs and population that places added stress on California's already overburdened and deteriorating physical infrastructure.
- ❖ One important step is to learn about the financing tools that can be accessed through the State Treasurer's Office and other appropriate State of California programs.



Tools to Revitalize California Communities

Upcoming CDIAC seminars to apprise local governments of state financing tools available to fund community revitalization.

| Conference | Location | Date |
|-----------------------------|-------------|-----------|
| 3rd Annual Tools Conference | Bakersfield | June 11th |
| Monterey County Workshop | Salinas | July |
| San Diego Tools Workshop | San Diego | October |



Overview of AB 943 Requirements

Government Code Section 8855(h)(8) requires
CDIAC to:

*“Collect, maintain, and provide information on
local agency investments of public funds...”*



Overview of AB 943 Requirements

To assist CDIAC in meeting its mandate, Government Code Section 53646(g) states:

“Except as provided in subdivisions (h) and (i), each city, county, or city and county shall submit copies of its second and fourth quarter reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year.”



Overview of AB 943 Requirements

In addition, Government Code Section 8855(i) requires these local agencies:

“...no later than 60 days after the close of the second quarter of each calendar year and 60 days after the subsequent amendment thereto, provide the statement of investment policy required pursuant to Section 53646, to the commission...”



Documents to be Submitted

- ❖ Annual Investment Policy
- ❖ Quarterly Investment Portfolio Report
 - *Exception:* Local agencies that invest solely in any combination of LAIF, specified insured accounts, and/or their county investment pool (for cities only), may submit a written statement within 60 days of the end of the quarter stating that they are exempt, with a breakout of amounts and investment types.



Format of Documents

- ❖ Same document format as submitted to the county board of supervisors, city council, and/or oversight committee
- ❖ Local agencies may mail or choose another method approved by the commission (i.e., e-mail or fax). Email address is cdiacinvestments@treasurer.ca.gov



Timing of Submission

- ❖ *Investment Policy*—At least annually (60 days from the end of the second quarter of the calendar year, by September 1) and 60 days following any amendments
- ❖ *Investment Portfolio*—Twice per year (by March 1 and September 1)



CDIAC's Actions to Date

- ❖ **Sent letters to city and county treasurers**
- ❖ **Wrote articles in DEBT LINE**
- ❖ **Fielded over 700 phone calls/E-mail inquiries since 2001**
- ❖ **Continue to capture basic information**
 - Records include entity name, date received, contact person, and basic investment policy and portfolio information for all counties and for sample of cities based on portfolio size



Most Agencies Submitted Information*

❖ Investment portfolio reports:

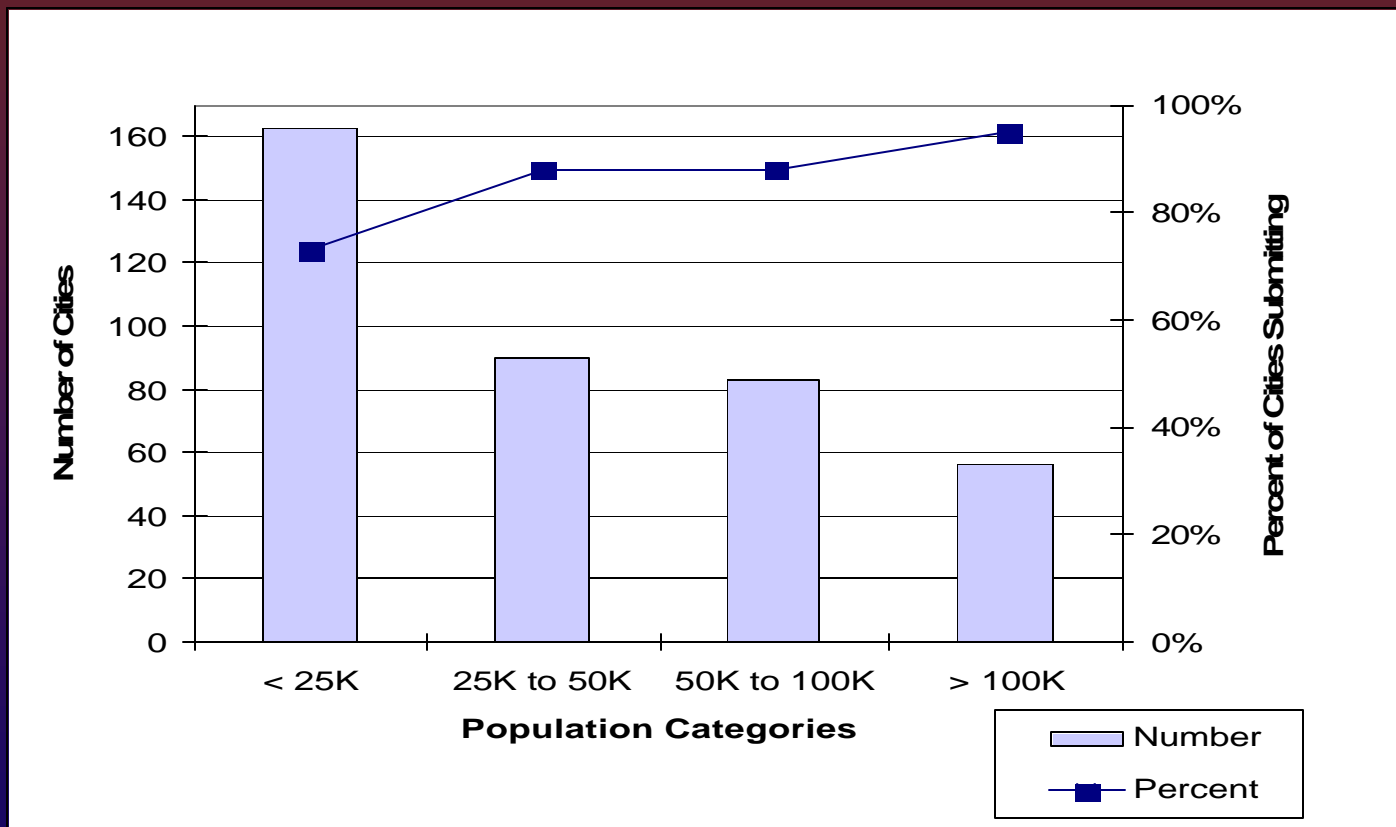
- 392 Cities (82 percent)
- 57 Counties (98 percent)

❖ Investment policies:

- 365 Cities (77 percent)
- 52 Counties (90 percent)

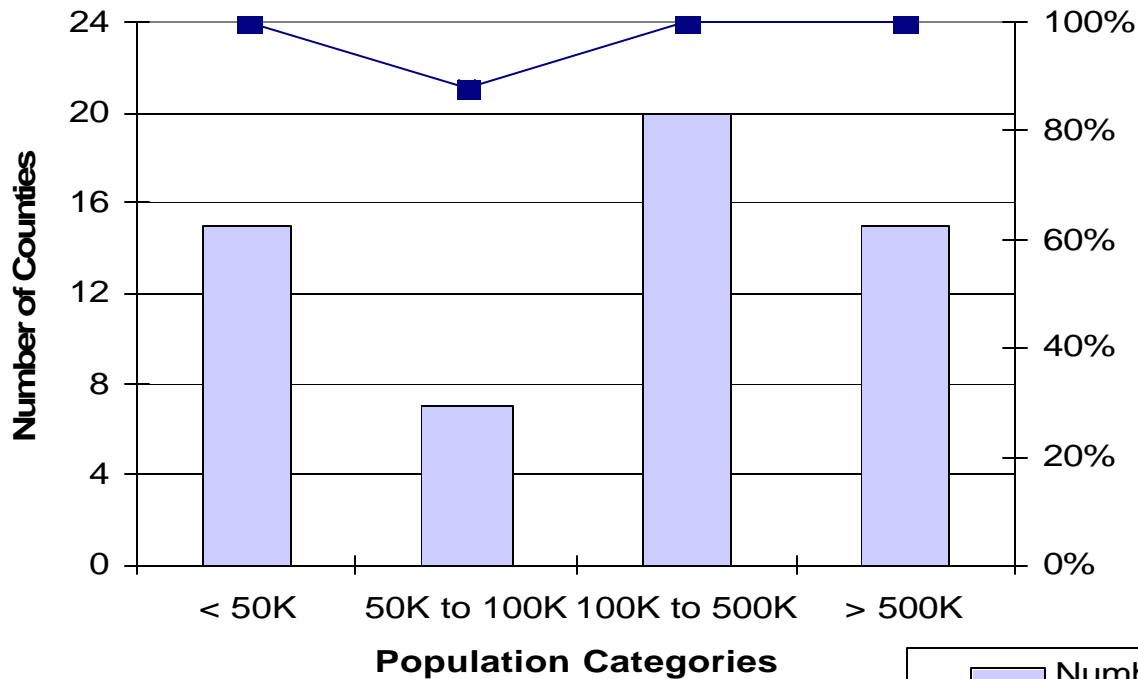
* Data reported is for second quarter 2003 reporting period, as of February 1, 2004.

Cities Submitting Portfolio Information to CDIAC

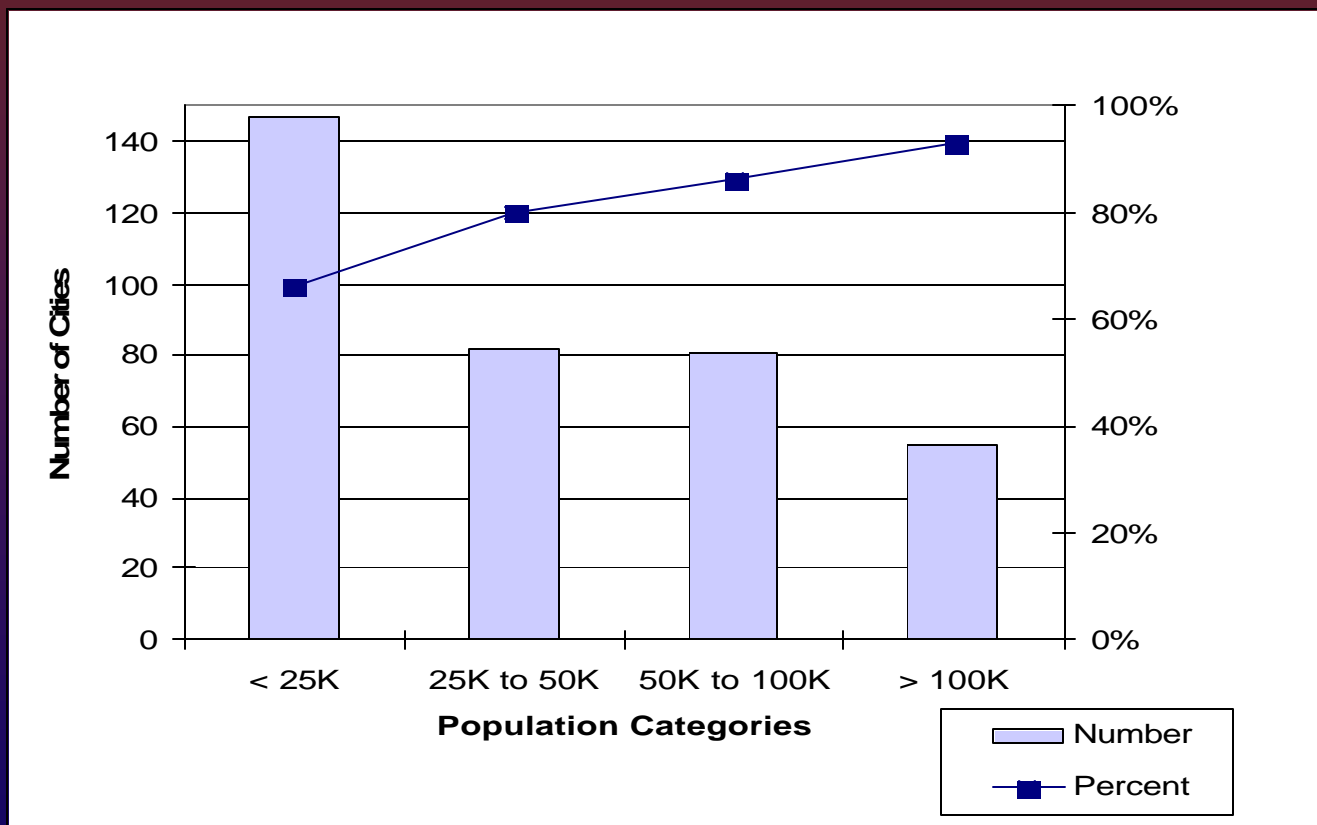




Counties Submitting Portfolio Information to CDIAC

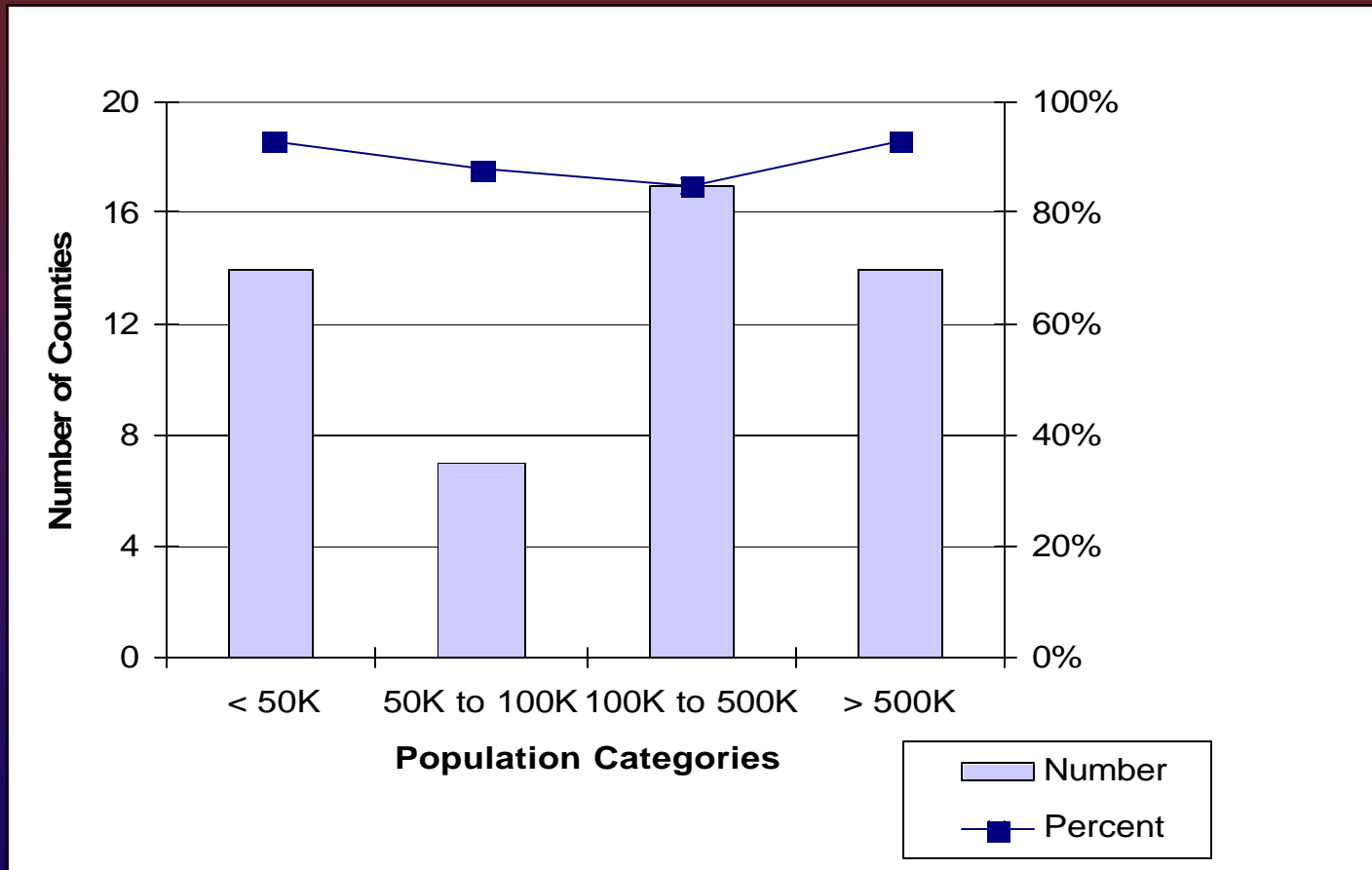


Cities Submitting Policy Information to CDIAC





Counties Submitting Policy Information to CDIAC





Investment Policy Information

| | More Restrictive than GC Section 53601 | | Same as GC Section 53601 | | Weighted-Average Maturity Restriction | |
|----------|---|---------|-----------------------------|---------|--|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Cities | 46 | 98% | 1 | 2% | 5 | 11% |
| Counties | 49 | 94% | 3 | 6% | 14 | 27% |



Recent Municipal Investment Legislative Changes

- ❖ Chapter 339, Statutes of 2000 (AB 2220, Battin)
- ❖ Chapter 454, Statutes of 2002 (SB 1326, Committee on Local Government), Local Government Omnibus Act of 2002
- ❖ Chapter 157, Statutes of 2003 (AB 1765, Oropeza): 2003-04 Budget Act
- ❖ Chapter 197, Statutes of 2003 (SB 787, Battin)
- ❖ Chapter 296, Statutes of 2003 (SB 66, Committee on Local Government): Local Government Omnibus Act of 2003

Legislative Counsel website: **www.leginfo.ca.gov**



Diversity of Portfolios

Number of Different Investment Instruments in County Portfolios

| Types of Investments | <u>Portfolio Size</u> | | | |
|----------------------|-----------------------|-----------------|------------------|-------------|
| | Under \$76M | \$76M to \$248M | \$248M to \$1.1B | Over \$1.1B |
| 1 to 3 | 4 | 2 | 1 | 1 |
| 4 to 6 | 9 | 7 | 8 | 5 |
| 7 or more | 1 | 5 | 6 | 8 |

Number of Different Investment Instruments in City Portfolios

| Types of Investments | <u>Portfolio Size</u> | | | |
|----------------------|-----------------------|---------------|----------------|------------|
| | Under \$8M | \$8M to \$23M | \$23M to \$64M | Over \$64M |
| 1 to 3 | 14 | 9 | 12 | 5 |
| 4 to 6 | 0 | 5 | 2 | 8 |
| 7 or more | 0 | 0 | 0 | 1 |



Select Investment Instruments

By County (Portfolio Size)

| Investment Instrument | Under \$76M | \$76 to \$248M | \$248M to \$1.1B | Over \$1.1B |
|------------------------------|-------------|----------------|------------------|-------------|
| U.S. Treasury Obligations | 71% | 7% | 60% | 57% |
| U.S. Agency Obligations | 79% | 100% | 93% | 100% |
| Commercial Paper | 14% | 50% | 60% | 86% |
| Repurchase Agreements | 0% | 0% | 47% | 36% |
| Medium-term Notes | 57% | 79% | 60% | 71% |
| Money Market Funds | 43% | 36% | 33% | 50% |
| Collateralized Bank Deposits | 7% | 43% | 40% | 71% |
| Local Agency Investment Fund | 93% | 93% | 87% | 50% |

By City (Portfolio Size)

| Investment Instrument | Under \$8M | \$8M to \$23M | \$23M to \$64M | Over \$64M |
|------------------------------|------------|---------------|----------------|------------|
| U.S. Treasury Obligations | 0% | 14% | 29% | 57% |
| U.S. Agency Obligations | 7% | 43% | 79% | 93% |
| Commercial Paper | 0% | 0% | 7% | 29% |
| Repurchase Agreements | 0% | 0% | 7% | 7% |
| Medium-term Notes | 0% | 7% | 14% | 36% |
| Money Market Funds | 7% | 29% | 0% | 43% |
| Collateralized Bank Deposits | 29% | 36% | 14% | 29% |
| Local Agency Investment Fund | 86% | 100% | 100% | 93% |



Yield and DTM Comparison

Yields and Days to Maturity Comparisons

Counties

| Size | Yield | | | DTM | | |
|------------------|---------|-----|------|---------|-----|------|
| | Average | Low | High | Average | Low | High |
| Under \$76M | 2.5 | 1.8 | 3.7 | 304 | 1 | 672 |
| \$76M to \$248M | 2.4 | 1.7 | 3.4 | 506 | 160 | 870 |
| \$248M to \$1.1B | 2.2 | 1.3 | 4.3 | 287 | 49 | 815 |
| Over \$1.1B | 1.8 | 1.3 | 2.6 | 301 | 66 | 876 |

Cities

| Size | Yield | | | DTM | | |
|----------------|---------|-----|------|---------|-----|------|
| | Average | Low | High | Average | Low | High |
| Under \$8M | 1.7 | 1.6 | 1.8 | 10 | 1 | 95 |
| \$8M to \$23M | 2.4 | 1.8 | 3.5 | 110 | 1 | 719 |
| \$23M to \$64M | 2.0 | 1.3 | 3.0 | 203 | 1 | 419 |
| Over \$64M | 2.8 | 2.0 | 3.8 | 502 | 239 | 829 |



Recent/Future Investment Products

- ❖ Understanding Government Investing Reporting: A Handbook for Local Elected Officials (CDIAC 03-02)
- ❖ Review of Investment Portfolio Reporting Requirements and Practices (November, 2003)
- ❖ Local Agency Investment Guidelines: 2004 Update (March, 2004)
- ❖ Local Agency Investment Reports: Requirements and Practices (2Q04)
- ❖ Local Agency Investment Policies: Requirements and Practices (4Q04)
- ❖ Investment Primer (4Q04)



Future Outlook—Your Ideas

- ❖ CDIAC wants your help in meeting local agency education needs.
- ❖ Local officials should contact CDIAC with any thoughts or ideas on how best to meet this goal at: (916) 653-3269 or cdiac@treasurer.ca.gov.